

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Turkey

Food Service - Hotel Restaurant Institutional

Annual

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Report Highlights:

Turkey's economy did not suffer from the global crisis as severely as western countries and despite a dip in 2009, the economy recuperated quickly and saw growth in 2010. The Turkish Statistics Institute (TUIK) reports 8.9 growth in the first 9 months of 2010 and tourism revenues increased from US\$ 21.2 billion in 2009 to US\$ 22.5 billion in 2010. Total imports also increased 30% in 2010 compared to 2009. The HRI sector is optimistic for 2011, and sources expect a 5% growth rate.

Post:
Ankara

Executive Summary:

Turkey's economy did not suffer from the global crisis as severely as western countries and despite a dip in 2009, the economy recuperated quickly and saw growth in 2010. The Turkish Statistics Institute (TUIK) reports 8.9 growth in the first 9 months of 2010 and tourism revenues increased from US\$ 21.2 billion in 2009 to US\$ 22.5 billion in 2010. Total imports also increased 30% in 2010 compared to 2009. The HRI sector is optimistic for 2011, and sources expect a 5% growth rate.

Section I. MARKET SUMMARY

A. Turkish Economy

Turkish per capita income increased 458.4% in the last 30 years in terms of Purchasing Power Parity. This increase places Turkey in third place among European countries in terms of percent increase in per capita income after Luxembourg and Ireland. Turkish per capita income in 1980 was US\$ 2,576 and this became US\$ 15,392 in 2010. This figure is expected to become US\$ 16,126 in the year 2011.

Turkey is ranked 95th out of 162 nations in the world in terms of countries with unregistered economies, with an informal economy that accounts for 31.6 percent (9 year average from 1999 to 2008) of its GDP.

Three items in the Turkish economy have among the highest prices in the world: fuel, meat, and alcoholic beverages. The reason behind this is the indirect taxation policy of the government. The amount of combined value added tax (VAT) and special consumption tax make up around 70% of the final price of these items.

According to the records of Turkish Exporters Unions, total exports in the year 2010 were over US\$ 112 billion and total imports were over US\$ 182 billion. Compared to CY 2009, exports have increased, but since imports increased even more, the foreign trade deficit reached \$ 70 billion due to an 80% increase in the importation of raw materials.

The Turkish economy saw growth resume in 2010. Industry increased its production in order to meet the increasing local demand and since production is supplied heavily by imported inputs (in terms of energy and raw materials), a substantial increase in the trade deficit was inevitable.

The industry is quite optimistic for 2011 and is expecting a 5% growth rate in 2011. Also, the interest rates for agricultural credit will decrease to 10% instead of 13% starting from January 1, 2011 which will eventually lead to increased production. In 2010, TL 18.5 billion in agriculture credits were lent to farmers. The Treasury Department assumes payment for a certain amount of this interest depending on the investment. For example for livestock and irrigation projects, the Treasury pays 100% of the interest. For all other credit the Treasury will assume 50% of the interest in 2011. This means that the farmers will pay an interest of between 0 to 5% for their credit loans in 2011.

Import Figures (Million USD)

	2009	2010	% Change
Industrial (Investment) Goods	18,960	24,852	15.1
Raw (Unfinished) Materials	89,260	117,691	71.4
Consumption Goods	17,085	21,877	13.3
Others	604	502	0.3

Turkey's agricultural products market size is around US\$ 30 billion, and the Turkish food and beverage sector is a US\$ 200 billion market. There are currently 3,651 hotels, 5,000 catering companies and 150,000 restaurants in Turkey.

The increase in the number of working women in society, the increase in income levels, and more hectic lifestyle caused by urbanization have led to a change in consumption patterns and eating habits, which reflect positively on the HRI sector. Accordingly, the number of hotels, restaurants and catering companies are increasing every year along with an increase in tourism. The sector expects a 5% growth rate in CY 2011. In restaurants, food items account for 85% of revenues and beverages account for 15% of revenues. The number of catering companies increased rapidly in the past decade due to the outsourcing of the public and private sector. The number of catering facilities, which used to be around 300 in the 1970s, increased 20 times and reached around 5000 in 2010.

Fast food restaurants have existed in Turkey for 20 years, but grew 50% in the last 2 years. Most of these are small Turkish restaurants making 75-80% of their revenues from 'doner' (sliced meat on a vertical turning spit grilling against a vertical charcoal fire) and meatball sales. The remaining are mainly large American and Turkish pizza and hamburger chains. In 2010 there are 20 international fast food chains operating 650 restaurants throughout Turkey, 75% of which are located in Istanbul, Ankara and Izmir.

Despite the rapid increase of fast food production and consumption, its portion of GDP still remains limited to US\$ 18.5 million in Turkey. This figure compares with US\$ 40 million in Germany, US\$ 48 million in France and US\$ 160 million in the UK.

As part of the European Union accession process, the 12th Phase which relates to food regulations, started on June 30, 2010. As part of this process, Turkish laws and regulations are being reformed. European standards are being applied. For instance the first food reference laboratory accredited by the EU opened, after an investment of 6.4 million Euros. To emphasize the importance of food safety, the name of the Ministry of Agriculture and Rural Affairs will be changed to the Ministry of Agriculture and Food in 2011.

B. Demographics

Turkey's population is 72.5 billion; 50.3% of the population is male and 49.7% is female. 75.5% of the population lives in city centers and suburbs and 24.5% lives in villages and rural areas. 17.8% of the nation's population lives in Istanbul.

Turkey has a young and dynamic population compared to other European countries, but in recent years, the population growth rate is slowing. Birth rates are decreasing due to factors such as modern life styles,

increased employment of women, and economic difficulties. There was a 7% decrease in the population between the ages of 0-24 compared to 10 years before. Still, this group comprises the majority of the population with approximately 31 million people.

C. SWOT Analysis of the Market

Please find below a SWOT analysis where the strengths and weaknesses of U.S. food products in the Turkish market are listed as well as the opportunities and threats facing U.S. exporters.

STRENGTHS <ul style="list-style-type: none"> • U.S. products are considered high quality in the minds of consumers. • There is an increase in the number of American fast food and restaurant chains • Turkey has a young and consumption driven population • Some U.S. products are better priced than those offered by the competition • The Turkish economy did not suffer much in the 2009 crisis very and a 5% growth rate is projected for 2011 • The young Turkish population is receptive to new tastes and western products • The rising GDP leads to increased interest in foreign cuisine 	WEAKNESSES <ul style="list-style-type: none"> • Shipments from the U.S. take longer and some items may need longer shelf life or extra preservation measures (like refrigerated containers) which increase costs • Turkey is not a well known market to U.S. exporters • The Customs Union that Turkey signed with the European Union provides advantages (like no customs tax) for European exporters • Proximity of other countries provides many competitors a price advantage • There is a well developed local food sector providing most of the needed items
OPPORTUNITIES <ul style="list-style-type: none"> • Turkey can serve as a secure and established port for exports to neighboring Middle East countries • There is still unutilized potential in certain tourism segments (like religion tourism, adventure tourism) • There is a lack of adequate supply in certain niche markets such as high-end restaurant items (like sauces), sea food (like lobster, king crab, black cod, etc.) and cheese varieties. • With the rising trend of healthy nutrition, consumers are looking for alternative health foods but there are not many brands capitalizing on this trend 	THREATS <ul style="list-style-type: none"> • High level of taxation (42%) on alcoholic beverages • Strengthening TL against other main currencies • High import tariff rates prevent the import of many specialty ingredients and processed products • Lengthy procedures and nontransparent regulations make it difficult to import food items (especially for high value items, sampling for analysis at customs creates obstacles) • Many SPS barriers block imports of high value products

Section II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Since import procedures are extensive and complex, HRI entities do not engage in direct importation. Importing of food products are generally done by specialized import companies. Therefore, the best approach for new-to-market exporters is to contact importers and distributors first through specialized institutions such as TUGIDER (Association of Food Importers) and DEIK (Foreign Economic Relations Board) that are involved in international trade servicing. TUGIDER has 184 members, the majority of which are food importing companies. This organization can be contacted by phone at (+90-212) 347 2560 or by Fax at (+90-212) 347- 2570 or via their website at <http://www.tugider.org.tr/eng/index.htm>. DEIK is a government organization that assists Turkish businesses engaging in international trade. DEIK can be contact by phone at (+90-212) 339 5000, by fax at (+90-212) 270 3092, or via their website at <http://www.turkey-now.org/>.

The Inward Processing Regime (DIR) allows importers to benefit from low customs duties and tax exemptions provided that they process the imported raw material and export the end-product subsequently. This makes Turkey an attractive hub for transshipments to other Middle East and Central Asia countries.

Fairs

A good way of getting to know the market and meeting potential buyers is to visit the sector fairs. Turkey holds a number of large-scale fairs that attract visitors and participants from all around the world as well as from Turkey. The biggest of these fairs is the Emmitt (East Mediterranean International Tourism and Travel Fair) to be held on February 10-13, 2011 in Istanbul (at Tuyap Exhibition Centre) where HRI representatives from all over Turkey participate. It attracts a total of 106,850 visitors and hosts 3,500 international participants from 60 countries (<http://www.emittistanbul.com/Default.aspx>). Please also find below a list of Turkish fairs featuring food and beverage s.

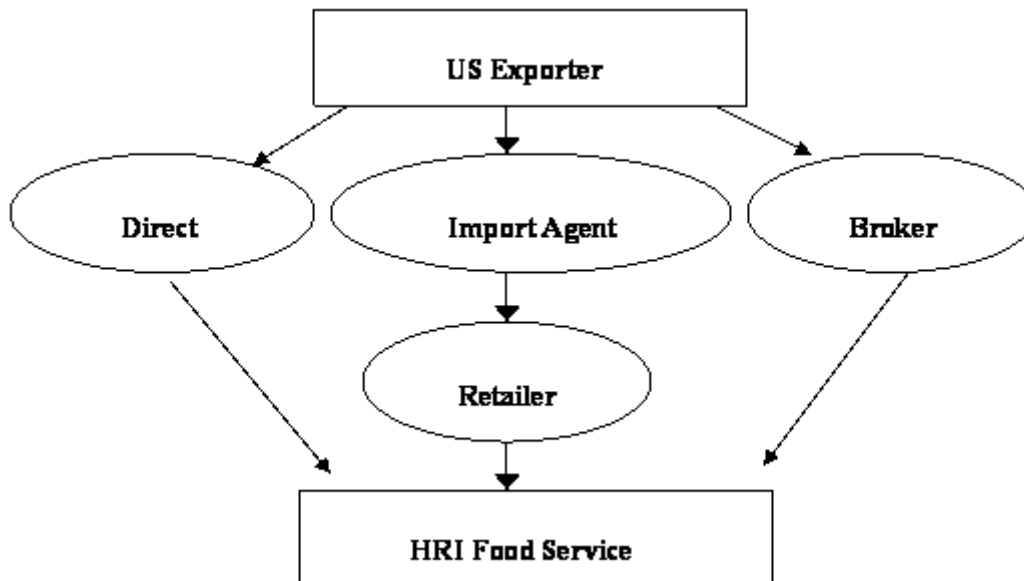
Name of the Fair	Dates	Venue	Link
Anfas Food Product 2011	February 16-19	Antalya Expo Center	http://www.anfasfoodproduct.com/index.php/en
Food Products and Technologies Fair	September 22-25	Istanbul CNR Expo	http://www.ite-turkey.com/ver3/fairs/gida_en/
FoodIst	December 8-11	Istanbul TUYAP	http://www.foodistfuari.com/

B. Market Structure

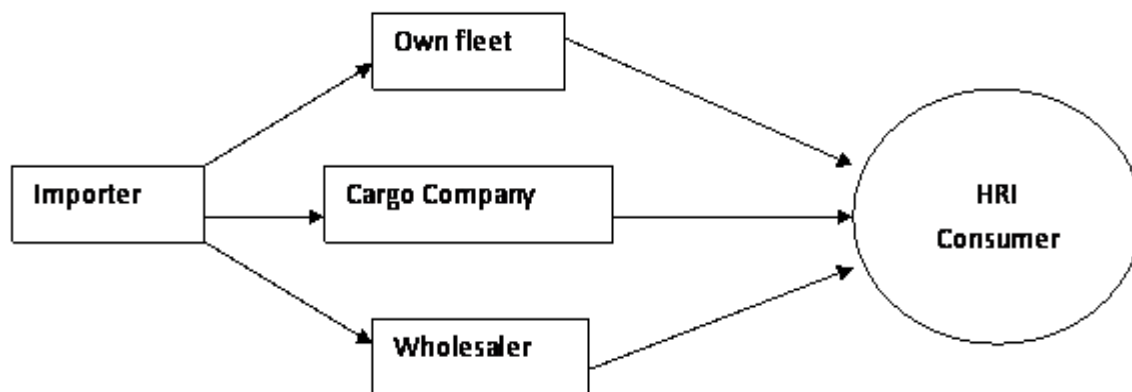
The general process of importing food products into Turkey can be summarized as follows: Prior to the arrival of the goods, the importer obtains a Control Certificate from the Ministry of Agriculture and Rural Affairs (MARA). In order to provide the Control Certificate, MARA asks for a Health Certificate, a Production Process Letter, technical specifications of the product, a list of ingredients, a sample of the label and a proforma invoice which should all be provided by the producer/exporter. After the importer gets the Control Certificate, an officer from MARA inspects the shipment and takes samples to be sent to the laboratory for analysis. This analysis period usually takes 1 week and after confirming that the analysis results comply with the Control Certificate and the current regulations, MARA provides a Certificate of Conformity. After this, the customs officer inspects the products as well and then the goods can be cleared from the customs.

The charges involved throughout this process are the warehouse charges (in order to minimize the waiting period the Control Certificate should be obtained in advance), customs duty, import tax, and the Agricultural Contribution Tax for some products which is calculated based on the protein and milk content.

The following chart illustrates how the distribution network operates for HRI food service purchasers.



Due to the complexity of this process, HRI companies mostly work with specialized importers to supply their imported food products. These importers also act as distributors and they have their own fleet, but they also use cargo delivery companies to supply food products to large supermarkets. Please also find a chart below of how the imported food items are distributed within Turkey.



C. Sub-Sector Profiles

a. Hotels and Resorts

The tourism industry has been one of the most important drivers behind Turkey's economic development over recent decades by reducing unemployment, raising national GDP and improving the country's balance of payments. In 2009, combined with the travel sector, the industry generated TL 95.3 billion of economic activity (approximately 10.2% of Turkey's GDP), employing nearly 1.7 million people (7.2% of total employment).

The tourism encouragement law (no: 2634), enacted in 1982, provided strong momentum for the industry's growth, which made Turkey a very popular destination especially for Western Europe. In 2008, despite the worsened conditions observed globally, Turkey enjoyed its best year ever, welcoming more than 30 million tourists (26 million international and 4 million domestic). Tourist arrivals and tourism receipts grew by 13.6% and 18.5%, respectively, resulting in an average receipt of US\$ 708 per arrival. In the first three quarters of 2009, arrivals increased by 1.5% but receipts decreased by 7%, to an average receipt of US\$ 647 per arrival. In CY 2010, despite the global crisis, tourism revenues exceeded US\$23 billion, and 30 million tourists visited Turkey. This is nearly a 300% increase compared to the beginning of the decade. There has also been an increase in the number of Turkish tourists. In 2010, nine million Turks travelled to destinations in Turkey and abroad.

Today, Turkey ranks 9th in the world in terms of tourism income, and the sector generates direct employment for over 3.7 million people. 2011 targets are more than 35 million tourists and US\$ 25 billion revenues. Turkey received over US\$ 50 million in foreign investments in the tourism sector in CY 2010.

Currently, there are 3651 hotels in Turkey. You can find a list of these hotels by clicking on the excel sheet from the link <http://www.kultur.gov.tr/TR/belge/1-90582/turizm-isletmesi-belgeli-turizm-tesisleri-bilgileri-yay-.html> on the website of the Ministry of Culture and Tourism.

Below is a table providing a sector overview and the number of local chain hotels compared to international ones.

Number of Beds in Ministry-Licensed Facilities	650,000
Number of Beds in Group & Chain Hotels	330,000
Number of Groups & Chains with more than 3 hotels	145
Number of Local & Chain Hotels	126 (82.6%)
Number of International & Chain Hotels	19 (17.4%)

One of the major trends observed lately in the accommodation sector in Turkey is the increase in the number of 3-4 star hotels and the rise in concept & boutique hotels. Until recently, there were either 5 star luxurious hotels serving foreign tourists or low quality side-street hotels serving budget travelers and locals. In the last few years, there was a serious increase in 3-4 star hotels, filling this gap rapidly.

Another trend is the spreading of tourism to Anatolia. Tourism investments are no longer limited to the shores. In 2003, 76% of new investment projects were in Antalya, Mugla, Izmir, Aydin and Istanbul (circled on the map above). This figure dropped to 32% in 2010, which shows that the tourism industry is now spreading throughout Turkey. Out of the 126 new investment projects that received incentives from the government, only 30 are in the "big 5" cities stated above and the rest are in various other cities of Anatolia.

In 2011 new chain hotels will be coming to Turkey such as Marriott-Edition, Shangri-La and Windham. Istanbul has become an attractive destination for international chain hotels in the last decade and attracted a lot of

tourists in 2010 when it was elected the Culture Capital of the World.

Top 10 Chain & Group Hotels in Turkey

	Number of Beds	Number of Hotels	Local/International
Joy Hotels	20,336	16	Local
TUI Travel Hotels (TTH)	15,733	13	International
Dedeman Hotels & Resorts	9,743	22	Local
Crystal Hotels Resorts & Spa	9,170	10	Local
Paloma Hotels - Diana	8,200	9	Local
Rixos Hotels	7,210	7	Local
Hilton International	6,288	11	International
InterContinental Group	3,594	9	Local
Anemon Group	3,151	14	Local
Accor Hotel Turkey	2,378	9	International

Local groups listed above have hotels in other countries as well, but these figures cover only their facilities in Turkey.

In August 2009, there was a change in the VAT (Value Added Tax) legislation. The previously 8% tax rate for food items was increased to 18% solely for 1st class restaurants and hotel restaurants. However all-inclusive hotels were exempted from this application which led to arguments of unfair competition in the sector.

In 2010, a major problem for the sector was the nearly 30% increase in the Special Consumption Tax on alcoholic beverages. Sector representatives state that with these two tax adjustments the inflation rate in hotels compared to other restaurants became nearly 50% higher than and reached 13% in CY 2010.

b. Restaurants

Eating habits are changing rapidly in Turkey due to factors such as the decrease in the number of households, increase in the number of working women and economic conditions. In the last five years, there is a rising trend towards comfort food. The fine dining concept is losing ground due to the effects of the crisis. This reflects in the rise of chains like House Café and Kitchenette. These restaurants, promote a 'sharing concept' with their long tables for 8-10 people. This also suits the Turkish culture where eating is a form of socialization that brings together family or friends.

The revenue of all sit-down restaurants and fast food restaurants in Turkey was US\$ 9 billion in CY 2010. 40% of this revenue came from the cost of food and beverages. US\$ 4.5 billion of this revenue was made in Istanbul where there are approximately 17,000 restaurants. 10,000 of these restaurants serve alcoholic beverages, and 90% of these alcohol serving restaurants are Turkish cuisine restaurants and the remaining 10% are foreign cuisine restaurants. That means there are around 1000 foreign cuisine restaurants in Istanbul, and this figure is increasing by the year. Most of these foreign cuisine restaurants are Italian restaurants and American burger joints.

The majority (about 75 percent) of fast food restaurants are located in big cities like Istanbul, Ankara, and Izmir. However, similar to the trend in hotels, fast food companies are also expanding their operations and growing in other Anatolian cities in the last decade.

Although Turkey's fast food consumption is climbing fast, it still lags behind European levels and this potential is encouraging not only new players to enter the market but also existing businesses to expand their operations.

The total size of the chain fast food sector in Turkey is around US\$ 1 billion, and there is also an independent sector just as big.

The same potential exists for high end coffee shops as well. Even though Turkish people are mainly tea drinkers, the young population has quickly embraced the new coffee culture after Starbucks entered the market, and other similar coffee shops started to emerge soon after. Specialty and flavored coffees are spreading at a high pace and this trend is being promoted both by international coffee chains and their Turkish competitors.

U.S. fast food franchises are dominant in Turkey, with an estimated 50 percent market share. Turkish chains have about a 30 percent share and European chains and franchisers (primarily a Burger King franchiser) hold the remainder.

Traditional Turkish restaurants specializing in fast food service continue to emerge. These restaurants serve traditional 'lahmacun', 'pide', kebabs and other Turkish dishes, but in a new fast food style. All fast food companies use local products due to difficulties in importing. Burger King primarily sources food items locally, importing only paper products directly from the UK. Mc Donald's not only prefers to work with local food manufacturers but it also produces its own beef to ensure quality and price competitiveness.

Top 13 Fast Food Restaurant Company Profiles				
Company / Restaurant Name	Number of Restaurants in 2007	Current Number of Restaurants (2010)	Nationality	Purchasing Agent
Burger King	193	335	UK	Direct
McDonald's	104	140	U.S.	Direct
Starbucks	99	137	U.S.	Direct, Wholesaler
Dominos Pizza	93	161	U.S.	Broker
Sultanahmet Koftecisi	72	93	Turkish	Direct
Gloria Jean's Coffee	60	57	Australia	Direct / Broker
Kentucky Fried Chicken	36	50	U.S.	Broker
Pizza Hut	32	41	U.S.	Broker
Little Caesars Pizza	23	32	U.S.	Broker
Kahve Dunyasi	21	61	Turkish	Broker / Direct
Sushi-co / Chinese In Town	12	19	Turkish	Broker / Direct

Popeye's	1	65	U.S.	Broker / Direct
Sbarro	1	66	U.S.	Direct

However, in the last 5 years the rising popularity of Asian cuisine seems to have shaken the long reign of Italian cuisine. With this trend, the variety of imported items is shifting as well. The most popular food items currently imported are summarized in the below table.

Items most imported	Imported mainly from
Lobster	Maine, USA
Black cod	Maine, USA
King crab	Alaska
Salmon and salmon caviar	Norway
Sauces (like Unagi, Soy and Yuzu)	EU
Wines and Hard liquors	EU and USA (California)

c. Institutional Food Sector

In the late 1970s and early 1980s, institutional food service providers began emerging in Turkey to provide food service to factories, schools, hospitals, private companies and public sector organizations. The institutional food service sector developed rapidly since then, sometimes with the help of foreign joint venture investments. It is now a US\$ 7 billion market compared to US\$ 2.25 billion in 2004, accounting for over 30 percent of the overall HRI sector. The size of the institutional food service market will continue to expand as the military has started contracting out an increasing number of catering services at its premises. Another driver is new Turkish employment laws requiring some employers to provide lunch and/or dinner to their employees.

There are about 5,000 institutional food service enterprises in Turkey, of which about 2,700 are located in Istanbul. These companies may be classified into three groups. One group is the bidder group that solely follows public institution tenders and serves those that they win. The other group includes those companies that only serve private institutions, and the third groups is composed of those companies that do both. The institutional food sector provides meals to about 7 million people daily, half of which live in Istanbul. The sector is growing 10 percent annually and is composed mostly of small- to medium-sized private enterprises with mostly local customers. Larger foreign catering companies such as Sodexo of France, Compass of England and Kluh of Germany are also in the market.

Please find below a list of companies classified according to their daily servings:

Companies serving over 250,000 portions daily: 1) Sofra, 2) Yemekci

Companies serving between 100,000 to 250,000 portions daily: 1) ISS

Companies serving between 50,000 to 100,000 portions daily: 1) Obasan, 2) Uc Ogun, 3) Sodexo

A more complete list of catering companies can be found in "Catering Magazine," which can be ordered from the following website www.cateringkatalogu.com.

Following the usual pattern, the institutional food service industry has also spread from Istanbul to other industrialized cities such as Ankara, Izmir, Adana, Bursa and Eskisehir. The main food inputs of this sector are meat, grains, fruits and vegetables. The use of imported food items is mostly limited to bulk commodity agricultural products such as rice, pulses and vegetable oils. There is less demand for catered food from public sector organizations than companies in the private sector, with the exception of the armed forces. Many public sector organizations have cafeteria services on their premises or offer meal vouchers that can be used at nearby restaurants.

Similar to the rest of the industry, high meat prices cause problems in this sector as well. The average retail price of 1 kg of red meat ranges between 3 to 9 Euros in Europe, whereas it costs around 15 Euros in Turkey.

d. Shopping Malls

By the end of 2010 the total number of western-style shopping malls in Turkey reached 263, 92 of which are located in Istanbul. The number is rising at a fast pace with 64 new shopping malls currently being built. While the food courts in the shopping malls usually attract both domestic and foreign fast food restaurants, recently built higher-end malls also include full service restaurants that serve foreign dishes.

e. Online Food Ordering

With the spread of internet use, online food ordering has also become an important concept in the last 5 years. All large fast food restaurants have online ordering systems, but the market is currently dominated by www.yemeksepeti.com which handles 99% of all online orders. Cashing in on the advantage of being the first in the market, the web site today has over 500,000 registered users and receives 15,000 orders per day and accommodates 3,000 restaurants in 8 cities.

Section III. COMPETITION

The latest developments effecting the HRI sector and U.S. exporters in CY 2010 are summarized below.

BIOSAFETY REGULATION

On August 2010, The Ministry of Agriculture and Rural Affairs (MARA) published a 'Regulation on GMO and Products' and a 'Regulation on Working Principles of the Biosafety Board and Committees' in the Official Gazette and both of these regulations were enforced on September 26, 2010 when the Biosafety Law came into effect. Consequently the import of all transgenic crops and products containing any transgenic ingredients were banned.

One of the many difference between this Law and the EU biotech laws it was modeled after is that no threshold levels have been defined in the Turkish regulation; therefore items even with the slightest contamination detected are rejected at customs. Exporters can find detailed information on the Law as well as other Food Import Regulations (FAIRS report) on the FAS GAIN web site <http://gain.fas.usda.gov/Pages/Default.aspx>.

LIVESTOCK AND MEAT

Livestock producers were affected gravely from the combination of higher feed prices and lower milk prices in the last few years, and eventually there has been an unstoppable increase in the price of red meat in Turkey. For instance, a pair of sheep would be sold for 500-600 TL in 2008 whereas today a single sheep is sold for 1,000 TL. In order to halt the steep increase in meat prices, the government decreased the customs tax rate and started to import red meat for the first time, via public tenders. Please see the most recent GAIN report on livestock for current import duties for cattle and meat, as they can change suddenly.

Imports are made based on bilateral protocols signed between Turkey and the exporting country. In CY 2010, most of the imports have been made from Uruguay. Turkish Meat and Fish Institution (EKB) imported 140,000 live cattle (68,500 MT) in CY 2010, 80,000 of which have been from Uruguay. The import permit given to EBK has been extended for one more year (until December 31, 2011), and it was extended for an unlimited period for the private sector. EBK will alone import approximately 50,000 MT of carcass meat and slaughter animals in CY2011.

Despite the measures taken, red meat prices still remain high. Turkish demand reflected on European meat prices as well, which saw a 1-2 Euro increase per kilogram in the European market.

The situation in Turkey is expected to increase the demand for U.S. genetics, live dairy and fattening cattle, sheep, and goats. Turkey and the United States are currently negotiating protocols for imports of fattening and slaughter cattle as well as live sheep and goats.

ORGANIC FOOD

Turkey has the potential to benefit from demands for organic agriculture as a result of a good climate, ecology, soil, water conditions coupled with a rich variety of plants and products on her flora. Some reports indicate that Turkey is the most suitable country in Europe for organic agriculture, as Turkey has the lowest average amount of chemicals used per unit area. This amount is 3.6 kg in England, 4.4 kg in Germany, 7.6 kg in Italy, 17.5 kg in Holland and only 0.5 kg in Turkey.

Turkey exports organic dried fruits, pulses and spices which are grown mainly in the Aegean Region. The sector is growing every year, and the land and number of farmers growing organic items are increasing. However, local consumption remains around 10% due to higher prices (organic items are 10-50% more expensive than conventional agriculture commodities), and 90% of the production is exported.

The organic food market in Turkey is around US\$ 200 million compared to a world market of US\$ 50 billion. Local demand for organic foods is increasing, but there are not many varieties of organic commodities sold in the local market. One of the main elements restricting the importation of organic products is the requirement for analysis at customs which leads to additional costs, which are reflected in prices. Consequently, if they are competitively priced, there is a high market potential for imported organic food.

SECTION IV. BEST PRODUCT PROSPECTS

Meat: In order to halt the steep rise in meat prices, the government temporarily decreased the customs tax on carcass meat from 225% to 30% and started opening import tenders for meat and slaughter animals. Currently there is no meat being imported from the United States, however the two countries are currently negotiating a protocol, and as soon as such a protocol is signed, there could be a huge market for imported meat in Turkey.

Wine: The popularity of wine as an alcoholic beverage is increasing and local consumption has doubled during the last four years to reach approximately 1 liter per year per person. Currently 75 million liters of wine is produced in Turkey and another 1 million liter is imported and Turkish consumers are more and more willing to try new varieties. A wine culture is also developing in Turkey and the number of educational courses & events about wine varieties and manufacturing is increasing. French and Californian wines are held in high esteem compared to imports from Eastern Europe, Spain, South America, and Italy. Unfortunately, taxes and fees on all alcohol are high in Turkey.

Whiskey: Single malt scotch is rarely found in the Turkish market, as blended scotch is the whisky of choice. Since whisky is viewed as an expensive and charismatic drink, it is popular among the young population as well as the middle-aged and older consumers with established taste preferences. Having realized this, two American bourbon brands in the market, Jack Daniels and Jim Beam, are targeting the younger generation through rock concerts and motor-rally sponsorships. Other popular brands sold in Turkey are Johnny Walker and J&B. Changes in Turkish Laws introduced in January 2011, however, may prevent advertising of alcohol in certain venues aimed at young consumers.

Seafood: Turkey is a very promising market for a wide range of seafood products. Following the agreement on health certificates between Turkey and the United States, Turkish importers started importing high-end U.S. seafood products like lobsters, crabs, and scallops. There are market opportunities for various other seafood as well, such as Atlantic Mackerel, wild salmon, Alaskan crab, cod fish, ikura, wasago, unagi, sirumi sticks, nori and wakame.

Dairy products: Specialty cheeses (like parmesan, edam, brie, gouda, Emmental, Roquefort, etc.) and butter from the United States have potential in the Turkish market, however imports from EU countries currently dominate the market due to customs tax exemptions and shorter delivery times.

Breakfast Cereals: Sales of breakfast cereals are increasing not only in the HRI sector but also in the retail market. Chocolate cereals, corn flakes, bran flakes with raisins and cereals mixed with fruit or chocolate are becoming popular with Turkish consumers.

Sauces and syrups: Various brands of sauces for salads, meat and international cuisines are popular in Turkey and form an important part of the HRI sector. In particular, the increasing popularity of Asian cuisine is promoting demand for specialty herbs, sauces, and syrups. Fine dining restaurants mostly demand items such as Dijon mustard, tanakatsu, yuzu water, mitsukan, wasabi, balsamic vinegar, etc. in this respect. Most sauces are currently being imported from Germany, the UK, France, Asian countries and the United States.

Others: Food items used in sushi and in Chinese dishes are in high demanded lately with the growing popularity of East Asian cuisine. Products such as Peking duck, aji panca, aji amarillo, Arborio rice and even chop sticks are hot items that are highly demanded but scarce in the market.

The adoption of products popular in the West is a large part of modern Turkish life, so internationally known brand names are particularly well received. Exporters should be sensitive to brand positioning and be ready to invest in research and marketing to help their importing partners have a successful entry into the market.

SECTION V. POST CONTACT AND FURTHER INFORMATION

For more information on import regulations and other agricultural sector reports for Turkey and other countries around the world, please refer to the FAS website at:

<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx> or contact us at the following address:

Office Mailing Address:

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U.S. Embassy, Ankara
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